

**Belmont Warrant Committee Meeting Minutes**  
**FINAL**  
**February 3, 2010, 7:30 p.m.**  
**Chenery Middle School Community Room**

Present: Chair Curtis; Members Allison, Becker, Brusch, Callanan, Dash, Epstein, Libenson, Lynch, Manjikian, McLaughlin, Millane, Smith, SC Chair Rittenburg

Members Absent: Hofmann, Lynch, Manjikian, and Paolillo

The meeting was called to order at 7:38 pm by Chair Curtis.

Chair Curtis began the meeting by noting that next week, February 9<sup>th</sup>, the town and school budgets will be presented to the WC.

***Presentation on Town Reserves***

Chair Curtis noted that there are four components relating to Town Reserves:

- Unreserved/Undesignated Fund Balance – this is money that comes out of the operation of the town; free cash totals \$3.8M, of which \$2M is certified as free cash by the state.
- The Kendall Fire Insurance (of which there is a little over \$3M) – there are no TM restrictions on how this money is used; some of it has been used as seed money.
- The Stabilization Fund – there is \$6K in this fund.
- The Capital Endowment Fund – this is invested, and totals \$2.67M.

The total of these four reserve accounts (as of June 30, 2009) is a little over \$9M. These funds are a stabilizing force for rating agencies, as they total 12.5% of the total budget.

***Impact of Town Reserves on Bond Rating***

Chair Curtis turned the floor over to Town Treasurer Carman.

Town Treasurer Carman: Moody's methodology is broken down into four categories:

- economic strength = 40%
- financial strength = 30%
- management and governance = 20%
- debt profile = 10%

Reserves help buffer the Town from local aid cuts and reserves should go up as the budget goes up. Referring to a balance sheet, he noted that there was \$11M in 2008 and \$8.8M in 2009. There is a \$2.1M difference, and Moody's will want to know why this sum has decreased. Moody's will want to see material change in financial reserves. Financial changes are most likely to drive rating movements. Belmont is compared with every city and town in the US. It is presently ranked 132 out of 3,300, which is a

substantial achievement. Regarding Operating Flexibility, Treasurer Carman noted that, to the extent possible, a town needs to raise revenue and reduce its expenditures. Revenues have a limited number of sources: state aid, fees, investment income, or taxes. Moody's will want to see the Town's debt profile, including pension obligations and OPEB liabilities. We need to continue to fund these liabilities and OPEB will be a challenge in the coming years, he said. Belmont's profile is very open and well disclosed – which is helpful and instills confidence in Moody's.

Chair Curtis noted that some states are passing laws to allow flexibility around OPEB – but Massachusetts is not yet one of them. Town Administrator Younger asked about using reserves to fund the budget and Mr. Carman replied that Moody's doesn't look favorably on that.

### ***Presentation on State Aid***

Member Libenson began his presentation by defining a “cherry sheet”. A cherry sheet gives information about state aid and details what money is coming from the state for operating budgets of general government and for the schools. There are complicated distribution and reimbursement formulas, and the cherry sheet has offset items (grant money for specific things). Chapter 70 allocates about \$4.5M towards the schools, and about \$2M is allocated toward unrestricted general government. For Chapter 70, the state collects money from municipalities based on their ability to pay (wealthier towns pay more) and distributes the money on basis of need (more to the needy towns, less to the wealthy towns.) On the Government side, lottery funds make up the aid.

Chair Curtis asked about the Chapter 90 money. Town Accountant Hagg said that this year's amount has not yet been disclosed, but it that has been \$400K for a long while. Hagg added that, regarding Chapter 70, the formula got changed. In FY07, the state legislature made a commitment to bring Belmont up to “foundation aid” over the course of a few years. This was done for two years. It did not happen in FY10, but it was made up for in stimulus money. Belmont is one of seven communities that had been shorted for a long time. SC Chair Rittenburg noted that the special education circuit breaker reimbursement rate was dramatically reduced in FY10 and is expected to remain low in FY11, with the presumption that districts will use their IDEA stimulus funds to fill the hole. Regarding the Chapter 70 money that is slated for FY11, both Member Bruschi and Town Accountant Hagg agreed that it is unknown if the money will come through – it has to be approved by the legislature.

### ***Budget Discipline Recap***

Chair Curtis informed the WC that next week Member Allison will bring a template of the subcommittee report. Allison added that she will distribute via excel a template as well as pension numbers, disability numbers, and operating costs that aren't in the departmental budgets.

Regarding next week, Chair Curtis continued, the town and school will present two numbers which added together will equal one number. Town Accountant Hagg will offer the available revenue number and then we can compare what we *want* to spend with what we *have* to spend. It is most unlikely that the revenues will equal the budgets presented next week. Member Allison added that, since the revenues will fall short, this is all the more reason to analyze where the money is going on a departmental level. Member Callanan asked if there were structural changes under consideration? Chair Curtis replied that, yes, and that will get woven into the conversation. Member Allison offered that the WC can analyze two non-override budgets: one with structural change, one without structural change. Chair Curtis said that it would be useful for the WC to brainstorm ideas on structural change. For example: consolidation of school and town building facilities, HR consolidation for school and town, and having one labor counsel for the town.

Member Allison offered several additional categories of changes that should be considered in arriving at a budget: “means testing” should be done so that subsidies and subsidized services are not provided to those with incomes above Belmont’s median, and there should be “service-based revenue enhancements” (for instance, after the 5th false alarm an entity ought to pay the fully-loaded fire department cost). She offered an example of a structural change that could save the town some money, which would be to have more people pay their town bills online. Town Administrator Younger asked: What is at the core of what we need to provide? Some programs are required and some are optional. (It was agreed that this was a fourth category.) Member McLaughlin stressed that if we cut services, we need to give people a chance to keep those services with an override: the populace has a right to make a choice. Member Callanan said that an override may have a more positive outcome if specific structural changes have occurred.

Chair Curtis said that structural changes will be discussed in further detail on February 17<sup>th</sup>.

### ***Minutes***

The minutes of January 6, 13, and 27 were approved as is, with one amendment to those of January 13.

### ***Other***

Member McLaughlin moved to adjourn at 8:47 pm.

Submitted by Lisa Gibalerio  
WC Recording Secretary